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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 ABF-01

FS-01 NSC-10 SS-20 STR-08 CEA-02 PA-04 INRE-00 PRS-01

USIE-00 DRC-01 TAR-02 (ISO) W
---------- 036152
O 211331Z JAN 74
FM AMEMBASSY MADRID
TO SECSTATE WASHDC IMMEDIATE 0443

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E.O. 11652: N/A
TAGS: EFIN, SP
SUBJECT: EXCHANGE MARKET CLOSING AND RELATED EVENTS

1. THE BANK OF SPAIN NEVER OPENED FOR FOREIGN EXCHANGE OPERATIONS JAN 21. THIS ACTION APPARENTLY TAKEN AS PRECAUTIONARY MEASURE FOLLOWING ON FRENCH FLOAT AND CLOSING DOWN OF OTHER EXCHANGE MARKETS IN EUROPE. THE GOS WAIT-AND -SEE ATTITUDE IS EXPECTED TO PREVAIL UNTIL EXCHANGE RATE SITUATION OF MAJOR CURRENCIES IS CLARIFIED.

2. LARGE BUT UNQUANTIFIED OUTFLOWS REPORTEDLY TOOK PLACE AT THE END OF LAST WEEK. THIS MOTIVATED MOVEMENT IN DOLLAR/PESETA EXCHANGE RATE TO 58.565 BUYING AND 58.735 SELLING RATES ON JAN 18. THIS REPRESENTS A MOVEMENT OF NEARLY 3 PERCENT IN DEPRECIATING THE VALUE OF THE PESETA WITH RESPECT TO THE DOLLAR IN THE SPACE OF ONE WEEK. THERE REMAINS ONLY LITTLE MORE THAN 1 PERCENT LEFT IN THE IMF FLUCTUATING BAND BEFORE THE PESETA WOULD BE FORCED TO DEVALUE OR FLOAT, NEITHER OF WHICH ACTIONS WOULD SEEM TO APPEAL TO THE GOS
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DECISION MAKERS.

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3. A PERHAPS NOT UNRELATED ACTION WAS THE COUNCIL
OF MINISTERS' AGREEMENT ON FRIDAY, JAN 18, TO REDUCE
"TEMPORARILY" FOR THREE MONTHS IMPORT DUTIES ON A
LINEAR BASIS BY 5 PERCENT (10 PERCENT DUTY WOULD BE
LOWERED TO 5 PERCENT). THIS ACTION WAS ANNOUNCED
AS A PRIMARILY ANTI-INFLATIONARY DEVICE. IT ALSO
COINCIDENTALLY COMPENSATES IMPORTERS FOR ANY MONETARY
DEVALUATION TENDENCY THAT MIGHT ENSUE WHICH WOULD
HELP THE EXPORTING SECTOR.
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Message Attributes

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Control Number: n/a
Copy: SINGLE
Draft Date: 21 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
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